

Message Text

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44

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01 DRC-01

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R 151743Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5600

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: EFIN, UK

SUBJECT: BRITISH REACTION TO TERMINATION OF 1968
WASHINGTON GOLD AGREEMENT

BEGIN SUMMARY: THERE HAVE BEEN NO OFFICIAL STATEMENTS BY
THE GOVERNMENT OR THE BANK OF ENGLAND ON THE TERMINATION
OF THE 1968 WASHINGTON GOLD AGREEMENT. THE ANNOUNCEMENT
WAS GIVEN FULL BUT RELATIVELY LOW KEY PRESS COVERAGE IN
MAJOR DAILY NEWSPAPERS. END SUMMARY

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1. NEITHER THE CHANCELLOR, MR. BARBER, NOR THE GOVERNOR OF THE BANK OF ENGLAND, MR. RICHARDSON, HAS YET MADE ANY PUBLIC STATEMENTS ON THE DECISION TO TERMINATE THE 1968 WASHINGTON GOLD AGREEMENT. UK TREASURY TELL US THAT THEY WELCOMED THE DECISION TO TERMINATE THE AGREEMENT AND THOUGHT IT SENSIBLE TO TERMINATE SOMETHING WHICH HAD LONG OUTLIVED ITS USEFULNESS. THE WHOLE MATTER IS BEING TREATED IN A VERY LOW KEY MANNER. THE ABANDONMENT OF THE TWO-TIER GOLD MARKET IS SEEN AS HAVING RATHER LITTLE IMMEDIATE PRACTICAL SIGNIFICANCE AND NO GREAT RUSH OF SALES OF GOLD ARE ANTICIPATED. THE DECISION IS ALSO SEEN AS BEING CONSISTENT WITH ALL POSSIBLE PROPOSALS FOR THE TREATMENT OF GOLD IN DISCUSSION ON REFORM OF THE INTERNATIONAL MONETARY SYSTEM. NOTE: THE UK'S GOLD RESERVES ARE QUITE SMALL, I.E. 311 MILLION POUNDS OUT OF TOTAL RESERVES OF 2772 MILLION POUNDS.

2. ONLY THE FINANCIAL TIMES (FT) CARRIED FRONT PAGE STORY AS WELL AS EDITORIAL COMMENT ON DECISION TO TERMINATE THE 1968 AGREEMENT. THEY BASICALLY APPROVE THE DECISION BUT FIND IT DIFFICULT TO ASSESS ITS IMPORTANCE. THEY DISCREDIT THE VIEW THAT THE US WILL USE ITS GOLD STOCKS TO PUSH DOWN THE MARKET PRICE OF GOLD ESPECIALLY IN LIGHT OF RECENT FIRMING OF THE DOLLAR. THE FT THINKS THAT THE ANNOUNCEMENT APPEARS TO MAKE MORE SENSE "AS A CONCESSION TO THE VIEW - OPENLY EXPRESSED NOW BY GERMANY AND ITALY AS WELL AS BY FRANCE - THAT THE FIXING OF SOME NEW PRICE FOR MONETARY GOLD CLOSER TO THAT RULING IN THE MARKET, HAS BECOME DESIRABLE " AND WOULD FACILITATE INTRA-EC SETTLEMENTS. THE TERMINATION OF THE BASLE AGREEMENT IS REALLY SEEN AS NO MORE THAN SYMBOLIC AND "HAS NO RELEVANCE TO THE LARGER QUESTION OF INTERNATIONAL MONETARY REFORM". FINALLY THE FT CONCLUDES "THE CONCESSION APPARENTLY MADE TO THE EEC POINT OF VIEW MAY BE NO MORE THAN AN ATTEMPT TO PRESERVE US LEADERSHIP OVER THE COURSE OF THE MONETARY NEGOTIATIONS AND DISCOURAGE THE EUROPEANS FROM ANY ATTEMPT TO TAKE UNILATERAL ACTION".

3. THE TIMES, GUARDIAN, AND DAILY TELEGRAPH REPORTED THE LIMITED OFFICIAL USE

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DECISION ON THEIR BACK PAGES. THE TIMES NOTED THAT THE ANNOUNCEMENT TOOK LONDON BULLION DEALERS BY SURPRISE, ALTHOUGH THE MOVE WAS EXPECTED BEFORE THE JULY 31 DEADLINE ON MONETARY REFORM.

ANNENBERG

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Message Attributes

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Disposition Authority: mcintyresh
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Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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